

# SEAFOOD

## Pangasius market

# The tide is turning

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*"...We believe that the presence of large enterprises will strengthen the industry's value chain, minimizing risks in the nurturing process. Additionally, the rise in global demand for seafood, along with government policies aimed at fostering sustainable development, is expected to drive growth across the pangasius industry in the medium and long term."*

# Seafood: Pangasius market

## The tide is turning

### Leading position in pangasius production

Pangasius is a key exporting fish species of Vietnam, with only 1~2% consumed domestically and 98% exported, according to VASEP. The extensive farming areas contribute to high stocking densities, increasing fish survival rates and reducing production costs. This helps maintain pangasius prices at competitive levels compared to other countries. Despite representing just 50% of global production, Vietnam accounts for 96% of global pangasius exports, thanks to favorable natural conditions for high-quality farming, per the International Trade Center.

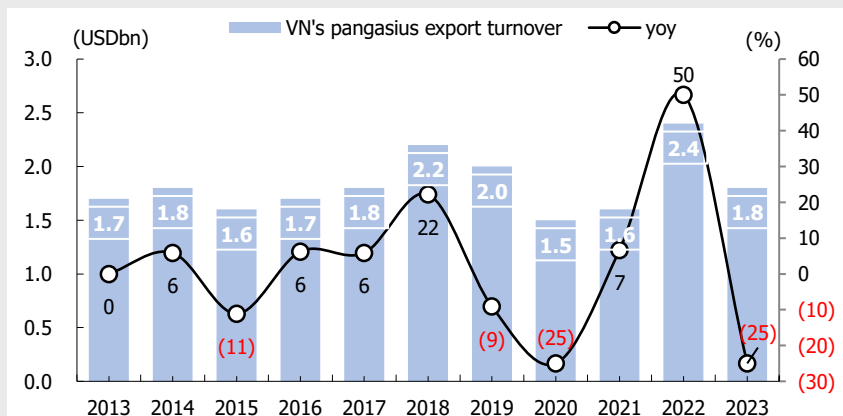
### 2H24-2025F outlook: Industry on track for growth after downturn

In 2H24F – 2025F, export volume and pangasius ASPs are expected to rise due to stronger demand in key markets (US, China, and EU) and slower growth in pangasius harvest volume, creating a supply-demand imbalance. Additionally, favorable input costs, particularly feed prices, will likely bolster gross margin of pangasius processors. We expect the business performance of the entire industry to soar in 2025F, thereby re-rating higher valuation in the short term.

### Stay firm with engines to get long-term boost

In the mid to long term, we expect pangasius turnover to grow at a CAGR of +2~2.5%, driven by increased export volumes, thanks to (1) global seafood consumption growth, high demand for aquaculture fish, and (2) market expansion through new-generation FTAs with strategic partners. Additionally, we believe that the focus on sustainable development in the seafood industry of government will likely provide a foundation for pangasius exports long-term growth.

### Vietnam's pangasius export turnover from 2013-23



Source: VASEP, KISVN

## Overweight

Company	Rating	TP (VND)
Vinh Hoan Corp.	BUY	88,400
Nam Viet Corp.	BUY	38,150
IDI Corp.	HOLD	

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## What is the report about?

- 2025F – Pangasius industry Outlook
- Prospects & Risks in Pangasius industry in the mid-long term
- Forecasts & recommendations on the industry and stocks

## I. Executive summary

### **Leading position in pangasius production**

Pangasius is a key fish species of Vietnam, with only 1~2% consumed domestically and 98% exported, according to VASEP. Despite representing just 50% of global production, Vietnam accounts for 96% of global pangasius exports, thanks to favorable natural conditions for high-quality farming, per the International Trade Center (ITC).

### **Entering growth cycle in 2H24F-2025F**

*In 2H24F – 2025F*, export volume and pangasius ASPs are expected to rise due to stronger demand in key markets and slower growth in pangasius harvest volume, creating a supply-demand imbalance. We peg the US market could play a leading role of pangasius export, meanwhile the EU and Chinese market could gradually recover. Additionally, favorable input costs, particularly feed prices, will likely boost the margins of pangasius processors

### **A moderate long-term growth in mid and long-term**

*In mid and long-term*, we peg the CAGR of pangasius turnover could grow by 2~2.5%, benefiting from: (1) The promising long-term growth of global seafood consumption and high demand for aquaculture fishes, and (2) Expansion on new markets thanks to the new generation FTAs with strategic partners.

### **Pangasius ASPs are less catalyst for growth**

Meanwhile, pangasius ASPs are expected to stay flat due to the gap between demand and potential supply will likely narrow in the long-term, alongside the arise in competition to other protein sources.

### **Stable input costs thanks to the industry consolidation**

*In mid and long-term*, the market undergoes more significant consolidation than before. Large enterprises are currently improving self-sufficiency in farming or partnering with small-scale fish farms to boost productivity and ensure supply. We project the farming area to stabilize at 5,700 ha, with pangasius production growing at a CAGR of +2~3% by 2025F-30F. This strategy reduces raw material costs, stabilizing the gross margins of pangasius processors.

### **OVERWEIGHT, BUY rating for VHC (TP: VND88,400) and ANV (TP: VND38,150). HOLD rating for IDI**

We rate OVERWEIGHT for the Pangasius industry. Specifically, we maintain BUY rating for VHC (TP: VND88,400, upside: +20.1% vs to closing price on 30/08/2024) and initiating BUY recommendation for ANV (TP: VND38,150, upside: +19.6% vs to closing price on 30/08/2024) in the mid and long-term. Meanwhile, we initiate on IDI with HOLD rating due to concern about the risks related to inefficient investments in non-core businesses and large loans to the parent corporation.

## II. Coverage projection and valuation

**Table 1. Coverage valuation**

Recommendation & TP			Earning & Valuation										
Company				Sales	OP	NP	EPS	BPS	ROE	ROA	PE	PB	EVEBITDA
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(%)	(%)	(x)	(x)	(x)
Vinh Hoan Corp (VHC)	Recommendation	BUY	2022A	13,231	2,254	1,975	10,771	41,027	29.7	19.8	11.1	1.3	5.8
	TP	88,400	2023A	10,033	969	919	4,914	44,629	11.6	8.3	14.3	1.7	14.6
	Price	73,600	2024F	11,985	1,246	1,215	5,422	40,165	14.0	10.3	12.8	1.8	13.3
	Market cap	16,520	2025F	14,903	2,002	1,655	7,384	45,049	17.3	12.7	9.4	1.6	8.3
	(VND bn)		2026F	14,687	2,038	1,702	7,592	50,141	16.0	11.8	9.2	1.5	8.1
Nam Viet Corp. (ANV)	Recommendation	BUY	2022A	4,897	864	676	5,302	22,604	25.9	13.1	11.1	1.3	5.1
	TP	38,150	2023A	4,439	183	39	293	21,326	1.4	0.7	105.6	1.5	32.5
	Price	31,900	2024F	4,458	308	192	1,437	22,763	6.5	3.8	22.1	1.4	19.0
	Market cap	4,247	2025F	5,147	735	542	4,051	26,814	16.4	10.0	7.8	1.2	8.0
	(VND bn)		2026F	5,147	743	559	4,184	30,998	14.5	9.3	7.6	1.0	7.9
IDI Corp. (IDI)	Recommendation	HOLD	2022A	7,931	726	563	2,404	14,033	17.7	7.2	11.1	1.3	6.8
	TP	N/A	2023A	7,221	303	73	254	14,266	1.8	0.9	35.4	0.8	18.4
	Price	9,760	2024F	7,835	283	83	288	14,553	2.0	1.0	32.1	0.8	20.4
	Market cap	2,666	2025F	8,319	472	233	807	15,360	5.4	2.8	11.4	0.8	12.2
	(VND bn)		2026F	7,951	468	254	879	16,016	5.6	3.0	10.5	0.7	12.3

Source: Company Data, KIS VN

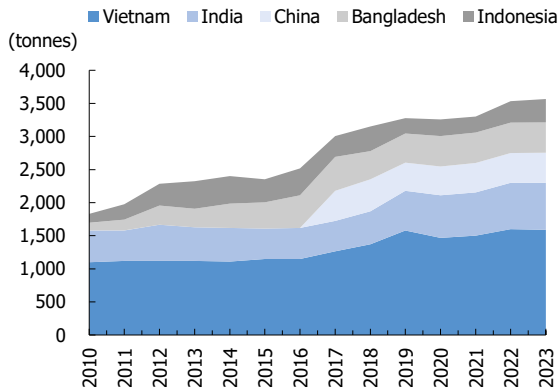
### III. Overall Vietnamese pangasius industry

#### Vietnam is dominant to pangasius production

Pangasius is a characteristic fish species of Vietnam. According to Vietnam Association of Seafood Exporters and Producers (VASEP), domestic consumption of pangasius accounts for only about 1~2% per year and exporting 98%. Per International Trade Center (ITC), Vietnam's pangasius exports account for approximately 96% of the total global pangasius export volume, although it represents only about 50% of the total annual global production volume thanks to the advantageous natural conditions suitable for raising high-quality pangasius (Figure 1).

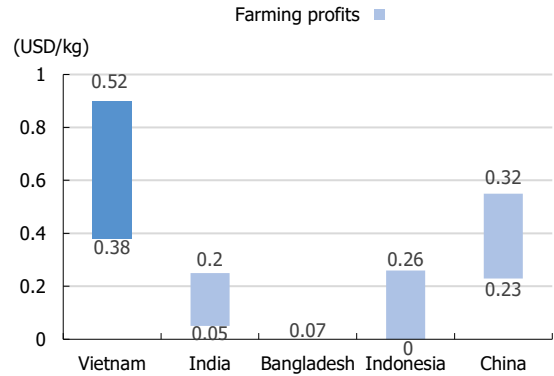
Furthermore, the extensive farming areas contribute to high stocking densities, increasing fish survival rates and reducing production costs. This helps maintain pangasius prices at competitive levels compared to other countries. According to Agromonitor, the profitability yield of pangasius in Vietnam consistently ranks highest compared to competitors (Figure 2).

**Figure 1. Vietnam's pangasius production is dominant as compared to other countries**



Source: Rabobank, KISVN

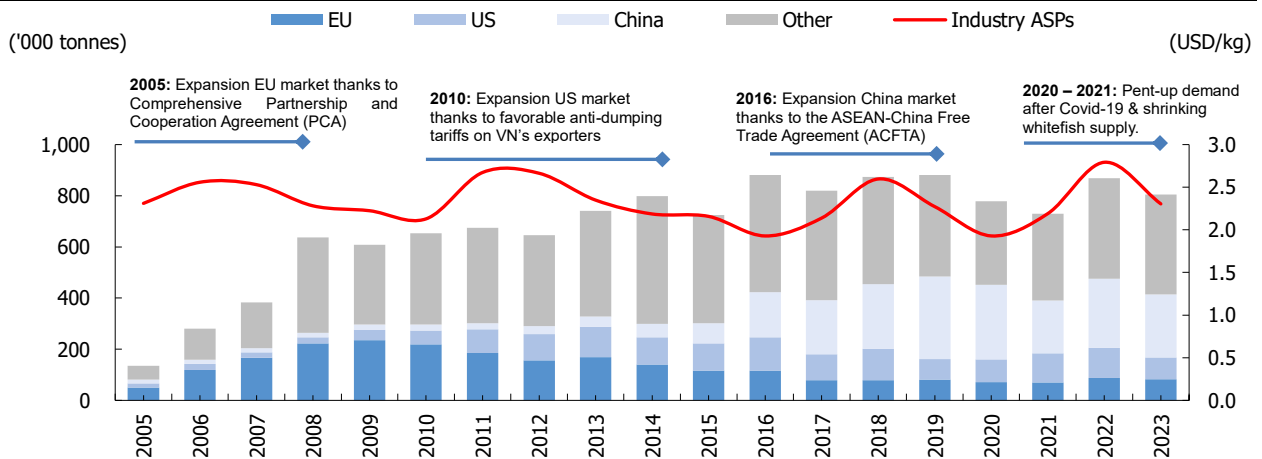
**Figure 2... It also achieves highest profit yield thanks to cost-leadership advantages**



Source: Agromonitor, KISVN

Since 2005, pangasius exports have experienced four major cycles of fluctuating average selling prices (ASPs), driven by strong demand following Free Trade Agreements (FTAs), favorable anti-dumping (AD) tariffs, and pent-up demand in food services, as well as reduced supply. In downcycles, consumption declines, and supply increases due to inefficient farming practices by small-scale farmers.

**Figure 3. Vietnam's pangasius export has experienced 4 cycles since 2005**



Source: VASEP, KISVN

## IV. 2023 – A year of challenges

In 2023, pangasius export turnover sharply slid by 24.6% yoy, to USD1.8bn due to (1) economic headwinds weighing on global consumption, causing high pangasius stockpile in key export countries (2) high comparable base in 2022.

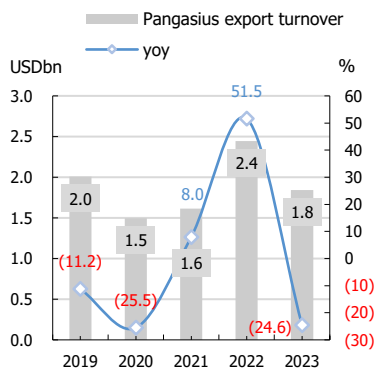
Notably, pangasius exports to US market slumped -49.7% yoy (in which, volume: - 27.7% yoy; ASPs: -30% yoy) as the stagnant consumption on HORECA and retail channels, caused by fears of recession. Besides, the EU and Chinese markets fell -14.7% yoy and -19.2% yoy, respectively.

### Numerous headwinds hindered industry growth in 2023

As our observation, the ASPs plummeted faster than export volume, due to:

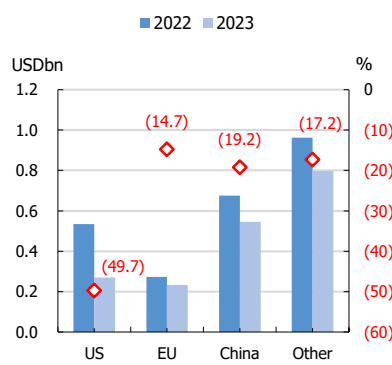
- Sluggish demand caused by restaurant operators and retailers pursuing discount campaigns, that directly suffered pangasius exporters.
- Some of pangasius exporters actively lowered their ASPs, aiming to release inventory.
- Along this side, the feed prices witnessed a rapid upturn, hence pangasius processors' margins squeezed significantly in 2023.

**Figure 4. 2023, year of challenges of Vietnam's pangasius export**



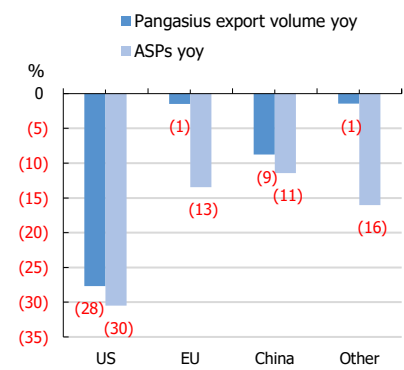
Source: Agromonitor, KISVN

**Figure 5. The U.S. market experienced the most significant decline**



Source: Agromonitor, KISVN

**Figure 6. The pangasius ASPs steeply tumbled in key markets in 2023**



Source: Agromonitor, KISVN

## V. 1H24 – First stage of restoration

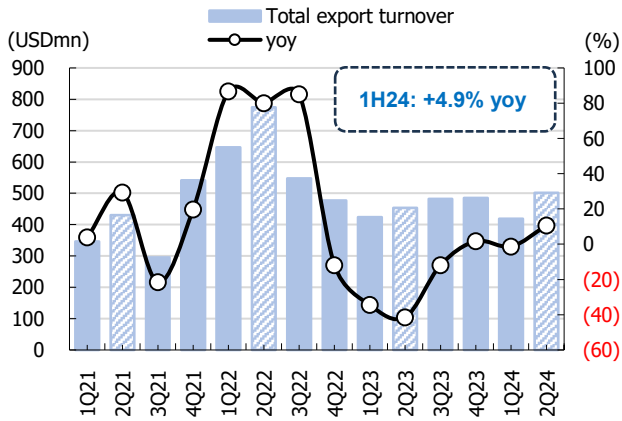
### Pangasius export volume early recovered in 1H24

In 1H24, total pangasius export value sat at USD920mn (+4.9% yoy), leading by the resurgence of export volume (426,000 tonnes, +16.8% yoy). Whereas pangasius ASPs kept sliding to USD2.16/kg (-10.2% yoy), it was attributed to (1) glimmer consumption in some key markets (China, EU...), and (2) fierce competition to other whitefishes. (Figure 7, 8). Specifically:

- *The US market:* It became a spotlight in 1H24 as witnessing the recovery of both export volume and ASPs thanks to: (1) the gradual resumption of consumption, (2) Lower pangasius stockpile, and (3) taking advantages from the whitefish supply storages in US.
- *The EU and Chinese markets:* Meanwhile, pangasius export to EU and China faced to some obstacles. It was dragged on by bleak consumption and intense competition to pollock and snakehead fish due to an abundant supply (main substitutes of pangasius in these markets). As a result, pangasius exporters must keep ASPs at a low level to stimulate export orders.

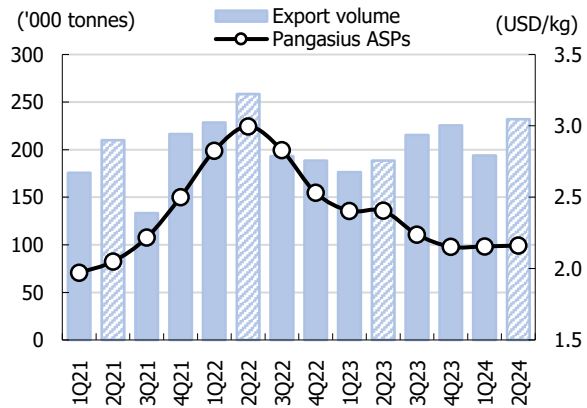
- *The other markets (ASEAN, South America...):* The export volume soared in 1H24 thanks to brighter consumption outlook. However, ASPs still recovered slowly.

**Figure 7. Total pangasius export value sat at USD920mn (+4.9% yoy)**



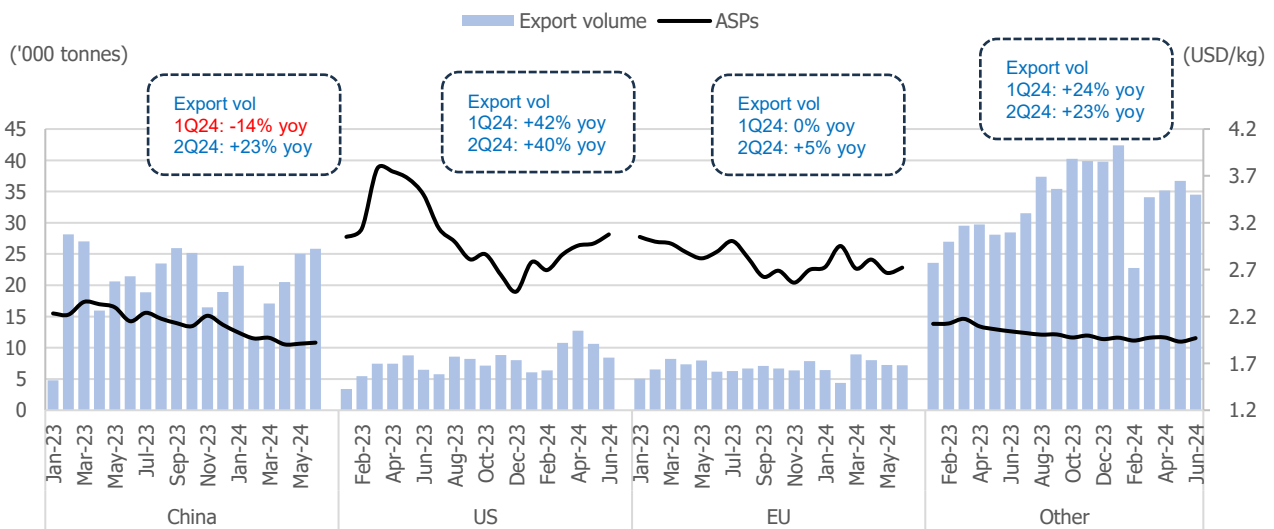
Source: Agromonitor, KISVN

**Figure 8. Export volume revived whilst pangasius ASPs remained bleak in 1H24**



Source: Agromonitor, KISVN

**Figure 9. The US market was a spotlight in 1H24, especially witnessing the resurgence of export volume**



Source: Agromonitor, KISVN

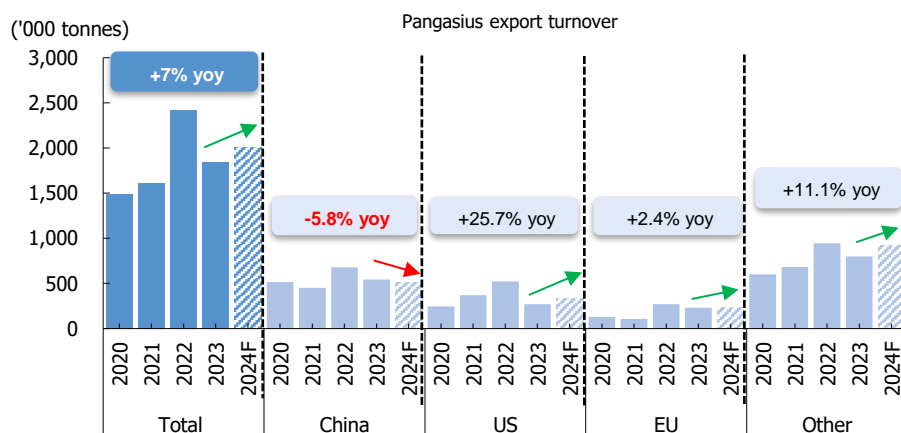
## VI. 2H24F–2025F - Readiness for growth in the pangasius export

In 2H24F, we peg that pangasius export turnover will likely be on the recovery path. Specifically, the US market is expected to post the highest growth rate. Meanwhile, in the EU and China markets, the competition still heats up, causing a slow pace of resumption (We have discussed on this report [“2H24F Seafood Sector Outlook”](#)).

In 2025F, export volume and pangasius ASPs in key markets are expected to beef up, it is attributed to (1) stronger consumption on foodservice and retail channels in key markets, (2) and pangasius harvest volume could grow slower than export demand, leading to supply-demand imbalance, as such ASPs will likely soar. Along with an uptick in ASPs, a favorable inputs cost, particular feed prices, that support margins of pangasius processors.



**Figure 10. Pangasius export turnover is expected to reach USD2bn (+7% yoy), thanks to the resumption of US markets**



Source: VASEP, KISVN estimate

**Table 2. Summarizing forecasts on key markets in 2024F and 2025F**

	US		EU		China		Input costs
	Volume (yoy)	ASPs (USD/kg)	Volume (yoy)	ASPs (USD/kg)	Volume (yoy)	ASPs (USD/kg)	Price trend
<b>2024F</b>	25% ~ 30%	3.0 ~ 3.2	Stay flat	2.8 ~ 3.0	3% ~ 5%	2.0	Decrease
<b>2025F</b>	5% ~ 7%	4 ~ 4.2	2% ~ 3%	3.0 ~ 3.3	9% ~ 10%	2.0 ~ 2.3	Stable

Source: KISVN estimate

## 1. 2025F pangasius demand: Entering the growth stage

### 1.1. The US market – Export volume and ASPs will likely fare well

**US market could be a key driver of entire industry in 2024F-25F**

In 2025F, we peg the US market could play a leading role of pangasius export. Based on:

- *The stronger consumption on foodservice and retail channels.* We expect consumption could continue to growth in 2025F as seen in 2024.
- *Pangasius' export position in the US could be strengthened.* Based on 1H24 whitefishes market share in US, we witnessed pangasius gradually gains more market share compared to other substitute products, especially versus to tilapia (main substitute of pangasius) thanks to the more affordable ASPs (Figure 11). We expect the high market share of pangasius will likely remain in 2025F.
- *Pangasius ASPs will likely soar:* We expect ASPs to improve significantly thanks to (1) a supply-demand imbalance, with rising demand and shrinking pangasius supply in 2025F, and (2) a wider price gap between pangasius and tilapia, pollock, enabling pangasius exporters to raise ASPs without facing competition (Figure 11). As such, we project pangasius prices in the US to reach USD4.0/kg ~ USD4.2/kg (a period of 2021-22 demand growth average)

**Figure 11. Pangasius export to US gain more market share in 6M24 thanks to the lower ASPs compared to other substitutes**

Import market share (%)	2018	2019	2020	2021	2022	2023	6M24	Change (%p)
Pangasius	7.17	5.30	5.35	6.72	8.14	5.29	8.40	3.1
Tilapia	11.71	10.72	11.77	11.90	11.20	10.44	11.51	1.1
Chinese Tilapia	8.82	7.43	8.21	8.05	7.18	7.01	7.37	0.4
Cod	4.55	4.25	4.15	4.36	5.06	3.87	4.79	0.9
Pollock	1.89	2.58	2.02	1.98	2.44	1.89	1.69	(0.2)
Haddock	1.94	1.51	1.57	1.45	1.95	1.37	1.82	0.4
Hake	0.49	0.44	0.55	0.53	0.46	0.37	0.38	0.0

ASPs (USD/kg)	2018	2019	2020	2021	2022	2023	6M24	6M24 vs 2023
Pangasius	4.47	3.87	2.76	2.95	4.24	3.24	2.77	-14.5%
Tilapia	3.71	3.77	3.56	3.92	4.68	4.19	4.65	11.1%
Chinese Tilapia	3.23	3.28	3.12	3.49	4.35	3.49	3.89	11.4%
Cod	7.85	8.17	7.75	7.95	9.51	10.17	9.04	-11.1%
Pollock	2.66	3.02	3.12	3.06	3.68	3.54	3.30	-6.7%
Haddock	6.21	6.66	6.51	7.03	7.77	7.51	6.72	-10.5%
Hake	2.99	2.80	2.71	3.11	3.71	3.50	3.36	-4.0%

Source: NOAA, KISVN estimate

## 1.2. The EU and Chinese markets – Gradually recovering after facing challenges in 2024

In 2023-24F, pangasius exports to China and the EU faced challenges due to abundant white fish supply and weak demand. However, we expect these difficulties to ease in 2025F, signaling the start of a new growth cycle in both markets:

- *Chinese market:* We expect a gradual pickup of pangasius exports to China thanks to the brighter consumption on foodservices as economic headwinds pass. Export volumes may recover sooner than ASPs, as exporters keep prices reasonable to boost orders. We estimate a +9 ~10% yoy increase in export volume (*Details will be discussed in VII. section*), with ASPs ranging from USD2.0/kg ~ USD2.3/kg.
- *EU market:* The oversupply pressure of Alaskan pollock anticipated in 2024 is expected to ease by 2025F. Concurrently, Russian fishery products (the largest supplier to the EU) are excluded from duty-free treatment from 2024-26F, per the EU Council. Therefore, we anticipate that pangasius exports to the EU market will likely return to normal levels, with an average volume of approximately 80,000~85,000 tonnes. Meanwhile, ASPs to range around USD3.0/kg ~ USD3.2/kg (the levels observed during the demand growth period in 2H21–2022).

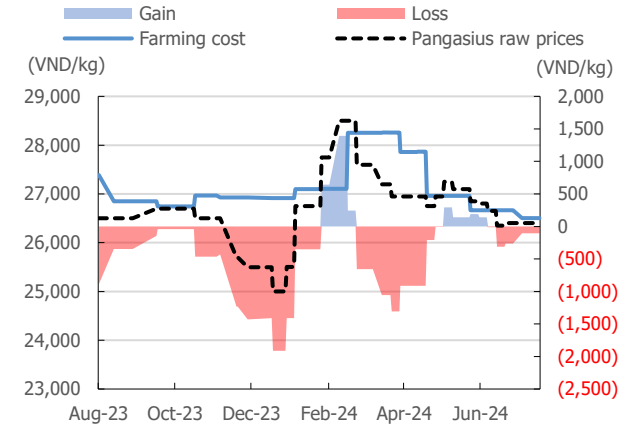
## 2. 2025F pangasius supply: A shortage raw pangasius could arise

In our observation, pangasius farming areas in Dong Thap (the province with the largest pangasius farming area in Vietnam) steeply plummeted during 1H24 (Figure 13). We believe that large enterprises and small-scale farmers are hesitant to expand farming areas in the context of bleak export prospects.

Additionally, the prolonged low selling prices of raw pangasius since 2023 have increased losses for small-scale farmers, which is the primary reason for the contraction of farming areas (Figure 12). Small-scale farms account for about 30% of the total raw pangasius supply, so we believe this situation could lead to a supply shortage in 2H24F and 2025F.

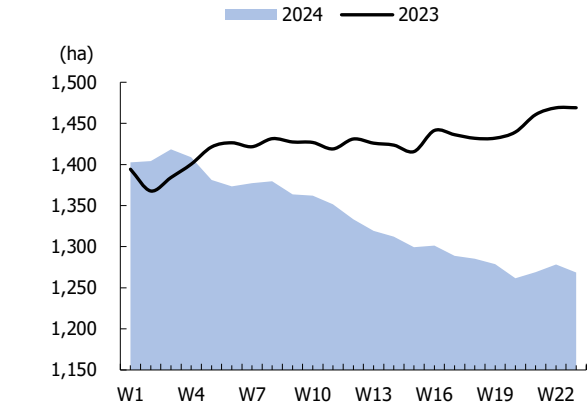
As discussed above, pangasius export demand will likely ramp up in 2025F, that could surpass supply. As such, the ASPs are expected to increase more strongly than the forecast for 2024F.

**Figure 12. Small-scale farming households take losses due to bleak export prospects**



Source: Department of Agriculture and Rural Development of Dong Thap Province

**Figure 13... Hence, farming areas are steeply plummeting**



Source: Department of Agriculture and Rural Development of Dong Thap Province

## VII. Long-term prospects – the footprint of Vietnam’s pangasius in global markets

**Vietnam’s pangasius export turnover could grow by +2~2.5% CAGR (2023–30F)**

In 2023-30F, we peg the CAGR of pangasius turnover could grow by 2~2.5%, benefiting from:

- The growth in export volumes with a long-term global CAGR of +2~2.5% thanks to (1) The promising long-term growth of global seafood consumption and high demand for aquaculture fishes, and (2) Expansion on new markets thanks to the new generation FTAs with strategic partners.
- ASPs are expected to stay flat due to the gap between demand and potential supply will likely narrow in the long-term, alongside the arise in competition to other protein source.

### 1. Three crucial pillars drive the demand growth in the long-term

#### 1.1. Promising long-term prospects of global aquaculture fishery

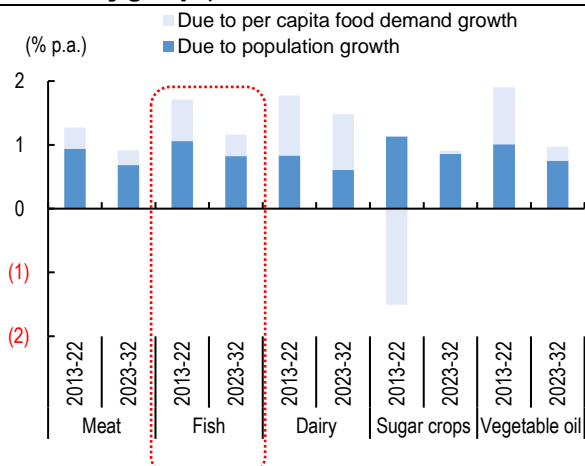
**Global fish consumption could grow by a CAGR of +1.16% in 2023–32F**

According to Food and Agriculture Organization of the United Nations (FAO, 2023), a CAGR growth in fish consumption is forecasted at +1.16% in the period of 2023-32F, which are primarily driven by (1) population growth (2) and higher income growth in developing markets. On top of that, world apparent food fish consumption is expected to reach 21.2 kg in 2032F in per capita terms, up from an average of 20.4 kg in 2020-22, thanks to the stellar growth of three crucial areas as Asia, EU, and America. (Figure 14, 15)

**Aquaculture production is forecasted to grow with a CAGR 2023–32F of +1.75%**

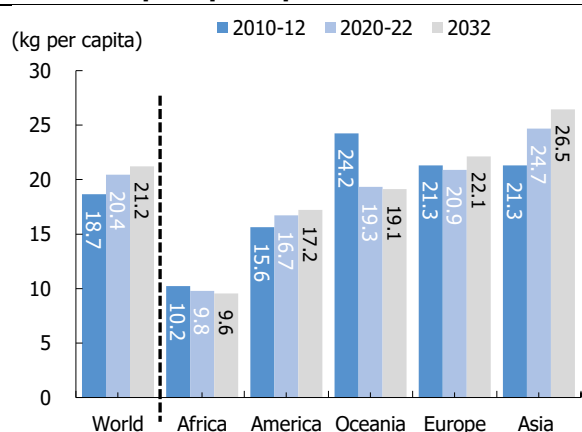
Global fish production is expected to increase to 202 metric tonnes, with a CAGR of +1.1% in 2023-32F. Farming-raised seafood species are expected to grow faster than wild-caught sources due to catch quotas set by international regulatory bodies. According to FAO, aquaculture production could account for 53% (110mn tonnes) of total seafood supply in 2032F, with a CAGR 2023–32F of +1.75% vs. +0.04% of wild-caught production (Figure 16). These could open up opportunities to these countries owning substantial aquatic plants, including Vietnam. In our view, the dominance of aquaculture fisheries and the shrinking of wild-caught species could promote the consumption of pangasius in the West, such as the US and EU.

**Figure 14: Average annual growth in demand for key commodity groups, 2013-22 and 2023-32F**



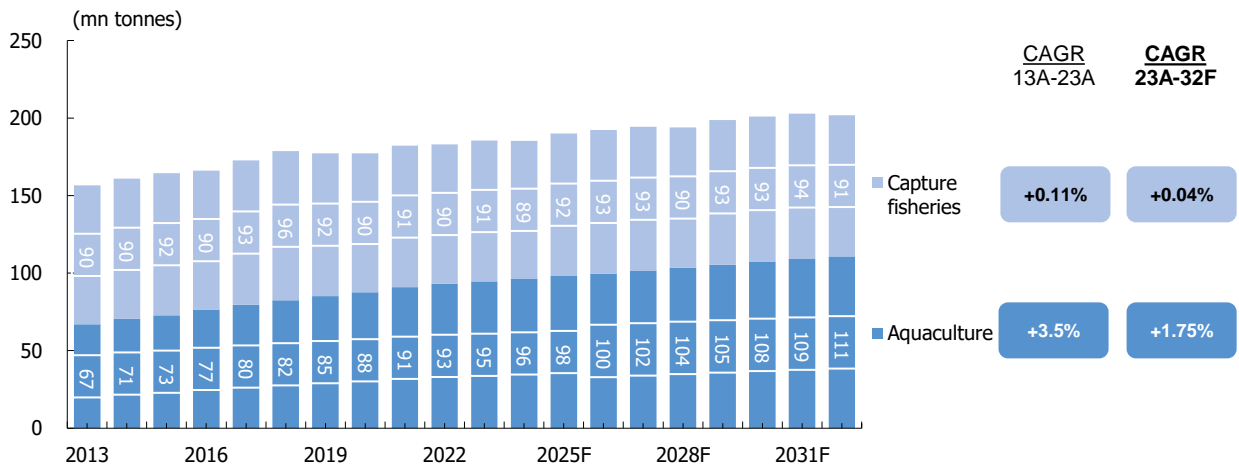
Source: FAO, KISVN

**Figure 15: Asia is anticipated to record the highest fish consumption per capita in 2032F**



Source: FAO, KISVN

**Figure 16. Aquaculture fishery is expected to grow faster than capture fisheries in the long-term**



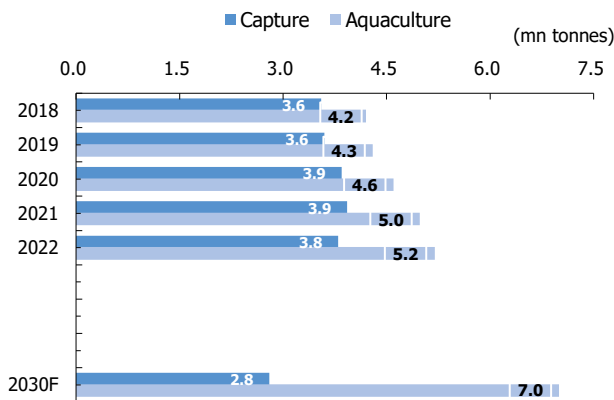
Source: FAO, KISVN

**Vietnam’s pangasius will likely be promoted by global consumption and FTAs preferences in key exporting markets**

To capitalize on the advantageous long-term trajectory, Vietnam’s Government has also set out resolution to develop seafood as one of the key industries. Per Resolution 399/QD-TTg, the vision of fishery products to 2030F targets 9.8mn tonnes, contributed by 7mn tonnes of aquaculture production and 2.8mn tonnes of captured production.

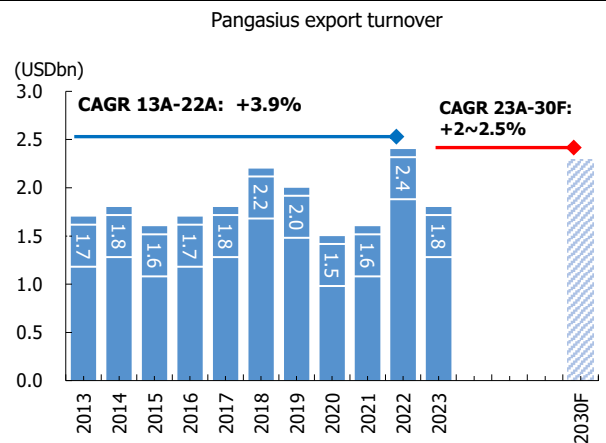
Following this resolution, the export turnover is expected to reach USD14bn~USD16bn, with a CAGR 2023~30F of +3~4%. Particularly, we peg the CAGR of pangasius turnover could grow by 2~2.5%, **of which export volume: +2~2.5% in this period, it is projected to fare better than the global growth based on these rationales:**

**Figure 17: The government strives to expand aquaculture production to 7mn tonnes in 2030F**



Source: VASEP, 399/QD-TTg, KISVN

**Figure 18: Pangasius export turnover could grow by +2~2.5% per year in 2023~30F**



Source: VASEP, 399/QD-TTg, KISVN estimate

### 1.1.1 The FTAs are expected to promote Vietnam's pangasius expanding to new markets and maintain the pricing competitiveness in key markets

**Table 3. The impact of FTAs on Vietnam's export prospects is becoming positive**

Partners	FTAs	Export turnover (USDmn)			
		2020	2021	2022	2023
ASEAN	+ AFTA	23	29	34	33
ASEAN - China	+ ACFTA	49	56	58	61
ASEAN - Korea	+ AKFTA, VKFTA	19	22	24	24
ASEAN - Australia/New Zealand	+ AANZFTA	4	5	6	6
ASEAN - Japan	+ AJCEP, VJEPA	19	20	24	23
Chile	+ VCFTA	1	2	2	1
ASEAN - India	+ AIFTA	5	6	8	9
Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan	+ VN - EAEU FTA	3	3	2	2
Australia, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore	+ CPTPP	34	40	52	50
EU	+ EVFTA	18	40	47	44
UK	+ UKVFTA	-	6	6	6
ASEAN - China, Japan, South Korea, Australia and New Zealand	+ RCEP	-	-	147	146
<b>Total</b>		<b>160</b>	<b>211</b>	<b>233</b>	<b>233</b>

Source: MoIT, KISVN compiled

#### The competitive pricing edge of pangasius is sustained thanks to the FTAs tariff preferences

Along with 16 effective Free Trading Agreements (FTAs) with major trading partners. We expect that the FTAs tariffs preferences continuously sharpen Vietnam's seafood pricing competitiveness compared to other countries and gradually promote Vietnamese pangasius's image in key markets.

Moreover, we expect that Vietnam's pangasius industry into a realm of more favorable expansion in new markets thanks to the new generation FTAs with strategic partners recently as EVFTA, UKFTA, RCEP... (Table 3). Particularly, the EVFTA agreement, which reduces the tariff on frozen pangasius products to 0% from 2023, will enhance the price competitiveness of exporting enterprises and enable more thorough utilization in these markets.

**Table 4. The tariff preferences roadmap for Vietnamese pangasius, following EVFTA agreement**

HS code	GSP tax	2020	2021	2022	2023 onwards
030324	4.5	4.5	4	2	0
030462	5.5	5.5	4.5	2.25	0
030432	5.5	4.125	2.75	1.375	0

Source: MoIT, KISVN compiled

### 1.1.2 Long-term demand driven by US and Chinese markets

We peg the US and China could be the primary drivers leading the industry's growth. Meanwhile, the EU market may saturate due to intense competition alongside a negative media on Vietnamese pangasius.

#### The US market – Solid long-term growth prospects

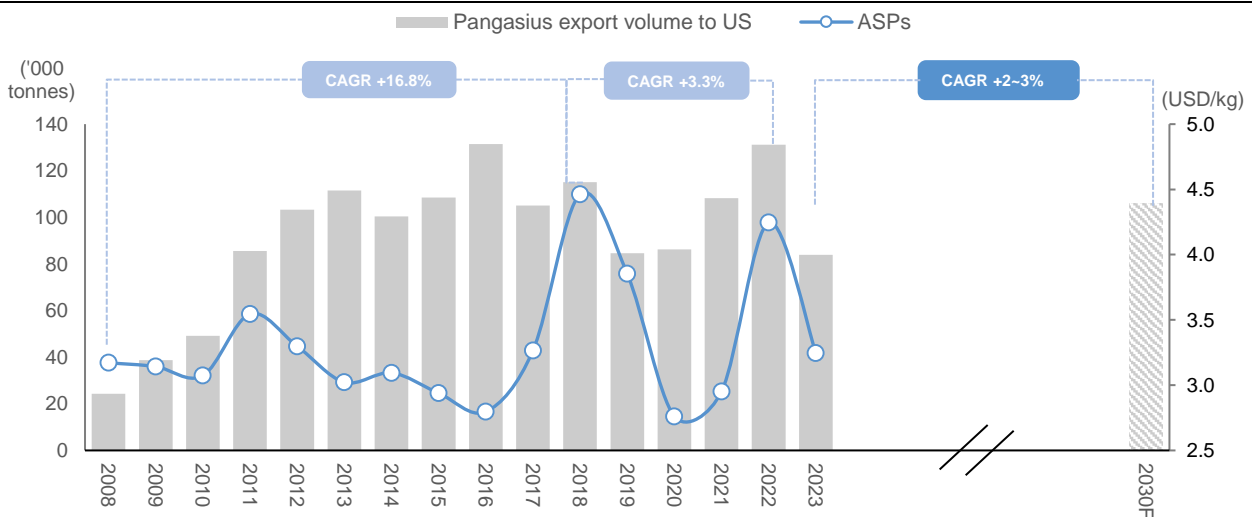
The US market plays a vital role in Vietnam's pangasius export and having the highest pangasius ASPs (higher 50~60% than industry ASPs).

The export volume of pangasius saw significant growth during the period of 2008A-18A, thanks to the successful expansion into the U.S. market, with a CAGR of approximately 16.8%. After this period, signs of saturation in growth began to emerge, and the growth pattern started to show cyclical fluctuations, with a CAGR of 3.3% in 2018-22 (Figure 19, 20).

Pangasius may retain a competitive price advantage compared to other white fish species in the same segment. Per National Fisheries Institute, in 2021, per capita seafood consumption was 20.5 pounds, with pangasius accounting for 0.71 pounds, compared to substitute products as tilapia (1.04), pollock (0.78), and catfish (0.51). As a result, the pangasius market share could still maintain its high market share and a moderate CAGR in the US market (Figure 22).

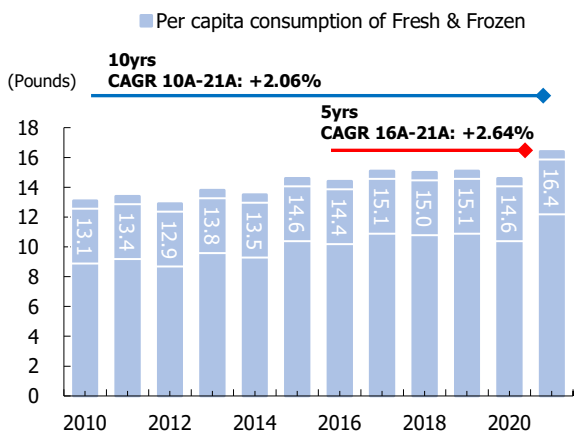
We expect long-term consumption to stabilize around 106~110 thousand tons per year (equivalent to the past average), as pangasius lacks significant differentiation and growth depends on a 2~3% increase in US seafood demand from 2023-30F (Figure 19, 20).

**Figure 19. Pangasius export volume to US is expected to grow with a CAGR of +2~3% in period of 2023-30F**



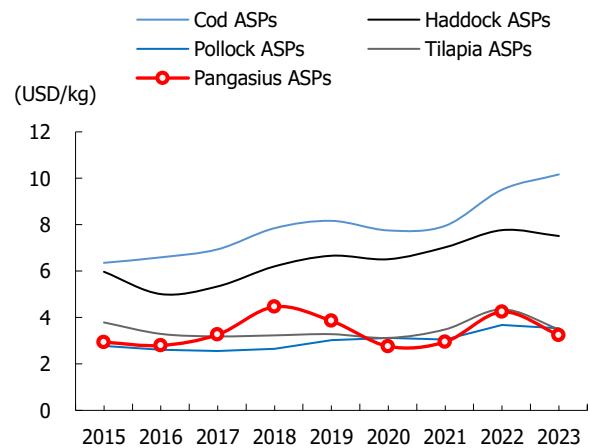
Source: NOAA, KISVN

**Figure 20: A CAGR of US seafood consumption recorded a moderate growth over 5 and 10 years**



Source: NOAA, KISVN

**Figure 21. thanks to the affordable prices, it can maintain its market share**



Source: NOAA, KISVN

**Figure 22. Top 10 the most popular fish species that are consumed in the US market, of which pangasius volume could maintain stable growth and its market share thanks to affordable ASPs in same segment.**

No.	2018	2019	2020	2021	2022	Speices	2023 (Market share & Import volume)		2023 ASPs (USD/kg)	CAGR import volume 2017A-22A
1	25%	26%	28%	30%	31%	Salmon	31.1%	500,753,796	12.5	6.1%
2	17%	18%	20%	17%	20%	Tuna	17.7%	284,565,255	6.9	4.4%
3	12%	11%	11%	11%	10%	Tilapia	10.4%	168,072,478	4.2	-0.3%
4	5%	4%	4%	4%	5%	Cod	3.9%	62,292,315	10.2	2.0%
5	2%	3%	2%	2%	2%	Pollock	1.9%	30,405,602	3.5	5.1%
6	2%	2%	2%	1%	2%	Haddock	1.4%	22,103,693	7.5	1.6%
7	0.5%	0.4%	0.5%	0.5%	0.5%	Hake	0.4%	5,902,989	3.5	-1.8%
8	0.3%	0.2%	0.3%	0.3%	0.3%	Other whitefishes	0.3%	5,280,632	4.2	-0.3%
9	0.03%	0.03%	0.04%	0.03%	0.04%	Cusk	0.04%	597,352	4.8	18.7%
10	7%	5%	5%	7%	8%	Pangasius	5.2%	83,847,042	3.2	4.5%

Source: NOAA, KISVN compiled & estimate.

### Chinese market – Robust growth in the long-term, but intense competition

In 2017–20, pangasius export volume to China recorded a CAGR of +15.3%, partially driven by the stellar development of restaurant chains. However, in 2021–23, a CAGR was at +6.3%, in 2021–23 due to Covid-19 pandemic and the stagnant economy (Figure 23). In our view, the short-term obstacles gradually pass over, hence export volume could be back a normal growth.

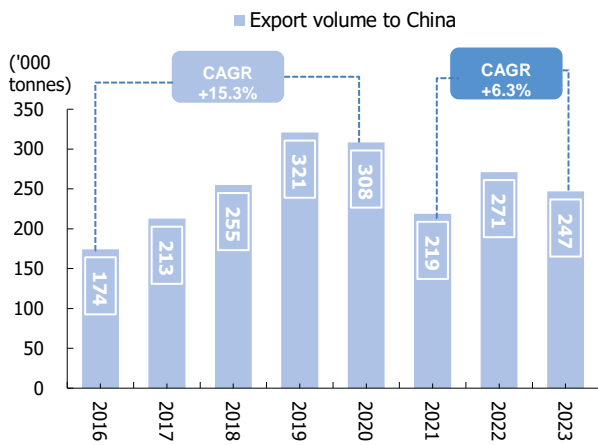
According to Frost and Sullivan, the Chinese catering sector is anticipated to reach RMB7,658bn by 2027F, with a projected CAGR of +9.7% in 2023–27F (same as the period before Covid-19 pandemic, at +9.66% in 2015–19) (Figure 24), attributed to (1) the increasing urbanization rate and (2) the trend of higher penetration rates of chain restaurants. Therefore, with the significant rise in demand, we anticipate that pangasius export volume could continuously benefit from these trends.

**Short-term headwinds gradually pass, paving the way for long-term growth**

**Pangasius exports are fueled by a robust growth of Chinese catering sector**

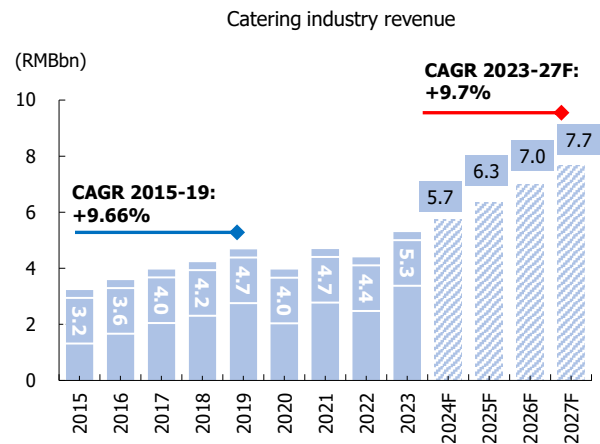


**Figure 23. Short-term growth of pangasius export volume is hindered by economic headwinds**



Source: VASEP, KISVN

**Figure 24. Long-term outlook could be bolstered by stellar growth of catering industry**

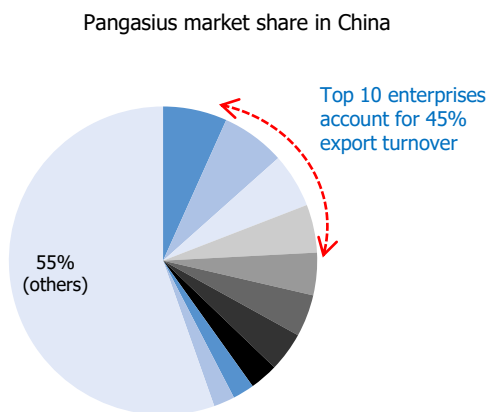


Source: Frost & Sullivan, KISVN

However, export regulations to China are less stringent compared to the US and EU markets, resulting in relatively high competitiveness between Vietnam's pangasius exporters. Currently, the market share of exporting enterprises to China is quite fragmented, with the largest enterprise holding only about 7% of the total export turnover (as of 2023 data, figure 25). Consequently, the ASPs to China are lower compared to other key markets (Figure 26).

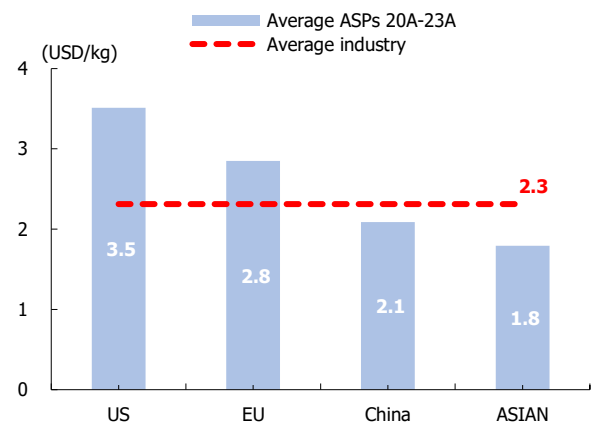
Additionally, snakehead fish and tilapia are two substitute products that are a similar flavor and selling prices with pangasius, thus posing significant competitive risks in the domestic Chinese market. Therefore, Vietnamese pangasius exporters must accept a trade-off between profit margins and volume.

**Figure 25. Fragmented market share between pangasius exporters**



Source: VASEP, KISVN

**Figure 26. Hence, ASPs to China are lower than US and EU markets**



Source: Agromonitor, KISVN

**The long-term prospects in EU markets still face to some obstacles**

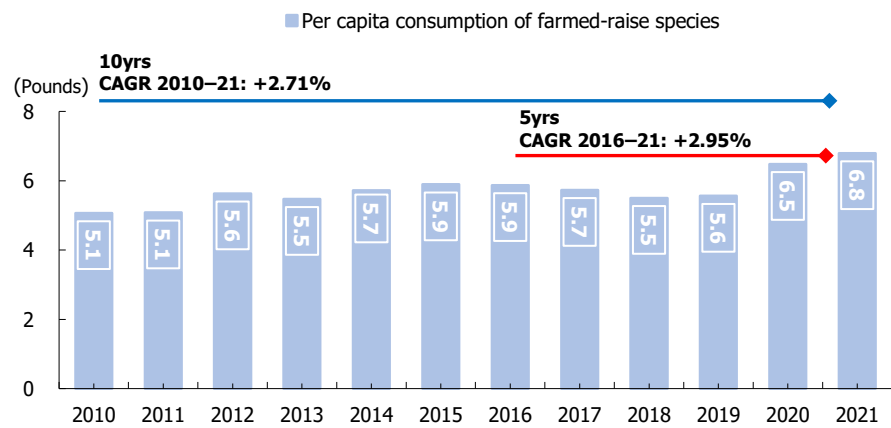
**The EU market – Saturated growth in the long-term**

The EU is a major world market for fishery and aquaculture products, but its supply relies on import source vastly and per capita consumption of farm-raised species witnessed a CAGR of +2.95%, in 2016-21 (Figure 27). Pangasius is a cost-effective whitefish substitute for other whitefish species in the EU market. However, Vietnam's pangasius export turnover has kept sliding, with a CAGR of -6.4% in 2017-22. The facts that pangasius products face to some obstacles in EU market:

- *Intense competition to wild-caught species*, wild-caught species are popular choices in EU due to European consumer appetite. Therefore, pangasius's market share only sits around 1~2%. (Figure 28)
- *Negative media on Vietnamese pangasius* has decreased awareness of pangasius. As a result, most consumers have a low product awareness of pangasius; even many consumers who are aware of the production pangasius have a negative perception.

Based on these fundamentals, we peg growth of pangasius exports to EU could be saturated in the long-term. The demand for Vietnam's pangasius depends on the fluctuations of another substitutes supply. Pangasius only takes advantages in context of shrinking wild-caught whitefishes.

**Figure 27. CAGR of EU consumption of farm-raised species posts to +2.95% in 2016-21**



Source: EUMOFA, KISVN

**Figure 28. The import market share of Vietnam's pangasius is only around 1~2% due to lack of competitive edge**

No.	2018	2019	2020	2021	2022	Species	2023 (Market share & Import volume)		2023 ASPs (USD/kg)	CAGR import volume 2017A-22A
1	26%	28%	30%	30%	29%	Salmon	28%	1,079,635,619	8.9	2.7%
2	28%	27%	26%	23%	23%	Tuna	21%	797,943,512	4.7	-3.2%
3	12%	11%	12%	10%	10%	Hering	11%	407,519,429	1.3	-0.9%
4	14%	14%	12%	12%	11%	Cod	10%	402,736,054	6.8	-6.2%
5	8%	8%	7%	7%	7%	Pollock	7%	288,381,881	3.3	-1.5%
6	6%	6%	6%	6%	6%	Hake	6%	218,129,061	3.9	2.4%
7	3.3%	3.2%	3.8%	3.2%	3.2%	Sardine	3%	112,590,950	2.6	-1.4%
8	2.3%	2.4%	2.3%	2.3%	2.6%	Saithe	3%	97,339,756	3.4	8.0%
9	2.23%	2.36%	1.77%	0.67%	0.67%	Haddock	1%	27,466,633	3.3	-21.9%
10	2%	2%	1%	1%	2%	Pangasius	1%	57,717,496	2.8	-6.4%

Source: EUMOFA, KISVN compiled & estimate.

## 2 Long-term prospects of exporters' GM are likely to benefit from costs reduction

Based on long-term outlooks of global consumption and competitive advantage of Vietnam's pangasius, we project pangasius ASPs growth may stay flat and moving towards historical average in period of 2025F-32F.

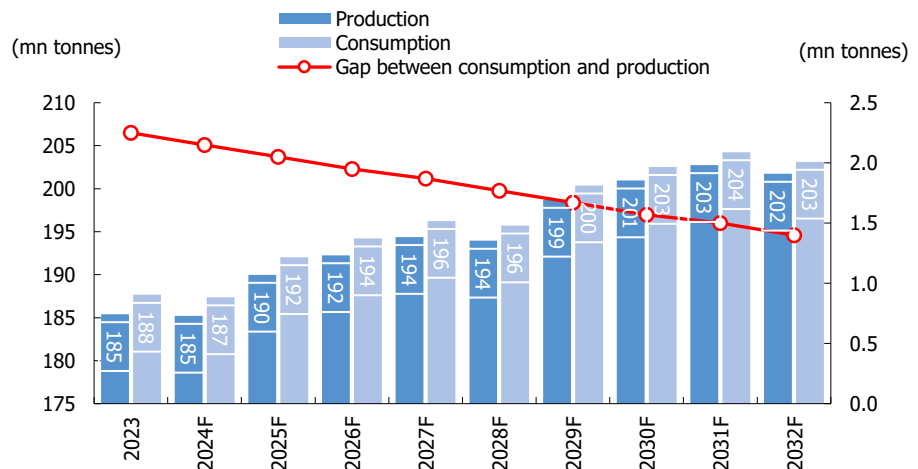
However, we expect that production costs of pangasius processors could stabilize in the long-term thanks to the deep engagement of large enterprises in the process of nurturing raw pangasius. *(Details will be discussed in 2.2 section).*

Therefore, we still peg a positive prospect for pangasius exporters' GM in the long term.

### 2.1 Pangasius ASPs limit room for growth in the long-term due to lack of competitive edge about differentiation

Based on FAO data, the demand for aquatic products could surpass the potential supply capacity (around 1.5~2mn tonnes, figure 29). However, the growth of fish prices could downgrade in momentum, it stems from (1) facing competition from other protein sources, (2) the gap between consumption and production will narrow. Consequently, there will likely be forecasted a CAGR of +0.3~0.5% for fishery products.

**Figure 29. FAO's Fishery demand and supply prediction in 2023-32F**



Source: FAO, KISVN

**But pangasius ASPs tend to stay flat due to lack of product differentiation**

However, considering pangasius ASPs specifically, this product does not have a product differentiation. Therefore, its price trend follows supply and demand dynamics. The ASPs increase cycle may be short because supply quickly meets demand (the farming period for raw fish is about 6~8 months). Additionally, competitive pressure with other protein sources could intensify. Therefore, we believe that pangasius ASPs will likely swing around the historical average level in the long term.

### 2.2 Domestic pangasius production – improving productivity thanks to the engagement of dominant enterprises

**Weather directly impacts the aquaculture of pangasius**

According to the Ministry of Agriculture and Rural Development (MARD), the Mekong Delta region is the main area for pangasius aquaculture (accounting for about 90% of pangasius production). The soil in this region is very suitable for pangasius aquaculture; however, both large enterprises and small-scale fish farmers face difficulties of weather conditions. Specifically, prolonged dry or

**The forecasted supply shows less variability than in the past due to the involvement of large enterprises**

rainy seasons lead to saline intrusion or disease outbreaks in pangasius, resulting in less productivity and lower survival rates than normal.

The issue of decentralized and unguided farming practice has historically led the pangasius industry to fluctuate in supply. A significant volatility stems from small-scale farming households (accounting for 30~40% of the supply, per VASEP). However, the deep involvement of industry-leading enterprises will contribute to a more stable supply thanks to (1) the high-quality inputs (fingerlings, aquafeeds...) from self-sufficiency sources or leveraging scale advantages to purchase from manufacturers at lower prices (2) well-managed systems to reduce Feed Conversion Ratio (FCR), hence saving feed costs.

Currently, these large enterprises focus on self-sufficiency improvement in farming areas or forming partnerships with small-scale fish farming households to achieve higher productivity and secure a sufficient supply. Notably, the costs of raw materials are reduced, thus stabilized pangasius processors' GM.

**Table 5. Gradually, large enterprises improve their self-sufficient rate of raw pangasius to ensure quality and sufficient supply**

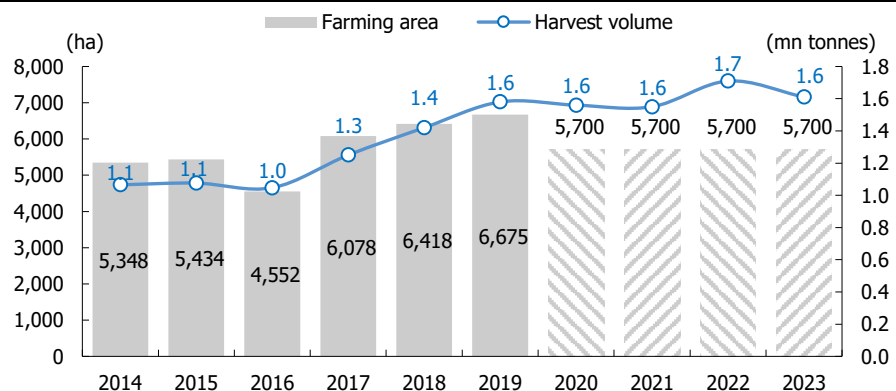
Company	Total farming areas (ha)	Self-sufficiency rate of raw material (%)
VHC	780	75
ANV	1,000	100
IDI	350	85
GODACO	300	100
Bien Dong	300	100

Source: Company data, VASEP, KISVN

**Pangasius production is likely to record a CAGR of +2~3% by 2025F~30F**

Therefore, the market undergoes more significant consolidation than before. Particularly, following the boom in fish farming during the period of 2017 - 2019, the area of pangasius farming has stabilized at around 5,700ha. We project farming area to stabilize at 5,700ha and pangasius production is forecasted with a CAGR of +2~3% by 2025F~30F to 1.8~2mn tonnes, following "Strategy for aquaculture development to 2020 and the vision of 2030."

**Figure 30. Pangasius farming area could not expand with a robust growth as the past, while production is forecasted to inch up at a CAGR of +2~3%**



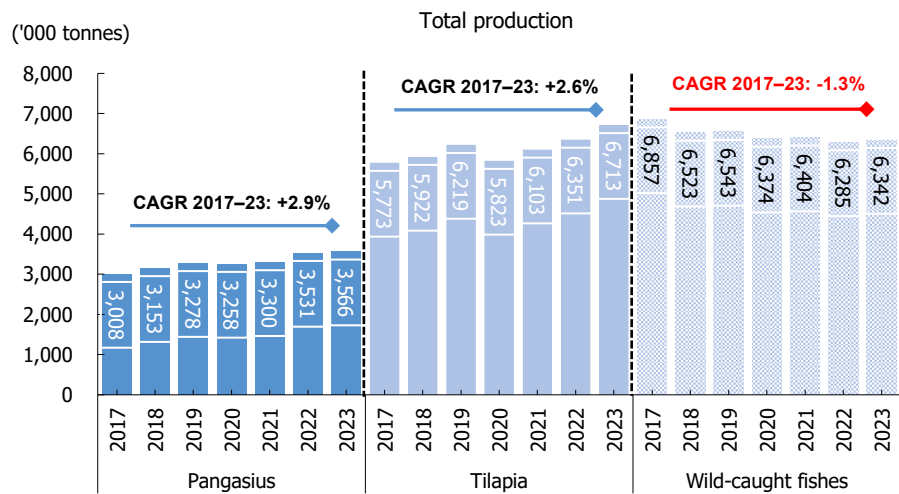
Source: MARD, VASEP, KISVN

## VIII. Risks to be considered

### Dominance in pangasius supply, but still facing competition risks from Tilapia

Vietnam's pangasius faces competition risks to other whitefish substitutes (including tilapia, wild-caught fishes...). In terms of other substitutes, the growth of wild-caught substitutes could be limited because of catch quotas imposed by regulators to protect marine ecosystems, with a CAGR of -1.3%. However, pangasius still competes with the growth of farm-raised species supply (especially tilapia), tilapia production witnessed a CAGR of +2.6% in period of 2017-23, per Rabobank. As such, we peg the momentum growth persists in period of 2023-30F thanks to the expansion of aquaculture and long-term growth of global fish consumption.

**Figure 31. Pangasius production faces to the fierce competition from tilapia**



Source: Rabobank, Groundfish Forum, KISVN

### The greatest risk that pangasius exporters to the US face is the anti-dumping tariffs

The US Department of Commerce (US DOC) review the anti-dumping tariffs on pangasius exporters annually, so changes resulting in increased tariffs could impact the business operations of these enterprises. Currently, according to POR19, only VHC maintains a 0% tariff rate due to meeting the stringent requirements of this market, others are ranging around USD0.14/kg to USD2.39/kg.

**Table 6. US anti-dumping tariffs on pangasius could potentially threaten export activity of Vietnam's pangasius processors**

Company	POR 16 (USD/kg)	POR 17 (USD/kg)	POR 18 (USD/kg)	POR 19 (USD/kg)
VHC	0	0	0	0
ANV	0.09	0	0	0.14
IDI	2.39	2.39	2.39	0.14
Other	2.39	2.39	2.39	2.39

Source: US DOC, KISVN

## IX. Conclusion and Ratings

We rate OVERWEIGHT recommendation for the Pangasius industry's prospects:

- *In 2H24F*, pangasius export turnover could mark the obvious resumption compared to yoy and 1H24 due to the yoy low base effect and high export volume growth as seen in 1H24. A miracle called to the US market, the robust growth for this market could come from benefiting from the tilapia supply shortages and an uptick in consumption. In contrast, the EU and Chinese market will likely be glimmer, intense competition to other whitefishes and no catalyst for consumption rebound could be the main factors that weigh on pangasius export volume and ASPs.
- *In 2025F*, the prospects of pangasius industry could become brighter and we expect that it will likely enter to an up-cycle, especially the strong resumption of pangasius ASPs in key markets. These forecasts are based on the expectations of supply-demand imbalances. Particularly, raw pangasius supply may be shrinking in 2025F due to the contraction on farming areas. Alongside this, pangasius demand in key market (US, EU and China) will likely become more favorable. Therefore, we expect that the industry's business performance could witness robust growth.
- *In the long-term*, we expect pangasius exporting to China will likely experience robust growth (a CAGR of +9~10%) thanks to bright prospects of foodservices (restaurant chains), thereby benefiting to pangasius exporters. Besides, pangasius exporting to US witnesses a moderate growth as same as seafood consumption's growth (a CAGR of +2~3%). Additionally, many effective FTAs play the good engine for industry's growth in mid and long-term view. Meanwhile, the EU market may face challenges due to fierce competition from other wild-caught species in the same segment. In terms of long-term pangasius ASPs, we expect there will likely be less fluctuated as the past due to the industry consolidation (shifting from small-scale farming to large enterprises) along to a stable demand that supply and demand are expected to balance.

**Stock recommendation:** We maintain BUY rating for VHC (TP: VND88,400, upside: +20.1% vs to closing price on 30/08/2024) and initiating BUY recommendation for ANV (TP: VND38,150, upside: +19.6% vs to closing price on 30/08/2024) in the mid and long-term. Meanwhile, we initiate on IDI with HOLD rating due to concern about the risks related to inefficient investments in non-core businesses and large loans to the parent corporation.

# Top picks

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Vinh Hoan Corp (VHC)

Nam Viet Corp. (ANV)

IDI Corp. (IDI)

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# Vinh Hoan Corp. (HSX: VHC)

BUY (Maintain), TP (VND88,400)

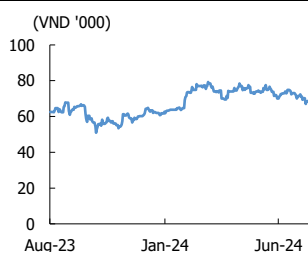
		Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Stock price (30 Aug, VND)	73,600												
Market cap (USD mn)	664												
Shares outstanding (mn)	224												
52W High/Low (VND)	79,300/50,926	2022A	13,231	2,254	1,975	10,771	79.7	2,712	11.1	5.8	1.3	29.7	2.9
6M avg. daily turnover (USD mn)	2.71	2023A	10,033	969	919	4,914	(53.5)	1,646	14.3	14.6	1.7	11.6	2.6
Free float (%)	49.8	2024F	11,985	1,246	1,215	5,422	32.2	2,038	12.8	13.3	1.8	14.0	3.4
Foreign ownership (%)	30.1	2025F	14,903	2,002	1,655	7,384	36.2	2,645	9.4	8.3	1.6	17.3	3.4
<b>Major shareholders (%)</b>		2026F	14,687	2,038	1,702	7,592	2.8	2,764	9.2	8.1	1.5	16.0	3.4
Truong Thi Le Khanh	43.2												
Mitsubishi Corp	6.4												
Dragon Capital	6.8												

## Reap the fruit of the new cycle

### Performance

	1M	6M	12M
Absolute (%)	3.7	0.4	17.6
Relative to VNIndex (%p)	0.5	(2.3)	11.0

### Stock price trend



**BUY and TP of VND:** We maintain our BUY rating for VHC in the mid and long-term, with TP at VND88,400 (Upside: +20.1% compared to closing price on 30/08/2024). Our new estimates suggest a 3-yr NPAT-MI CAGR of +18.3% (2024F-26F). Our DCF valuation is based on these assumptions (1) a risk-free rate of 3.48%, (2) a beta of 1.14, (3) an equity risk premium of 7.8%, and (3) a terminal growth rate of 2%.

### Business results will likely rebound in 2024F and soar in 2025F:

*In 2024F*, our peg revenue and NPAT-MI could reach VND11,985bn (+19.5% yoy) and VND1,215bn (+32.2% yoy), respectively. As discussed in 2024F's prospects sections, we expect the US market to play a pivotal role in leading the strong revival of VHC's pangasius exports. Pangasius's ASPs are likely to revive slowly due to consumers still being price-cautious, whereas input costs (aquafeeds) are expected to soften, hence stabilizing VHC's GM from 2H24F onwards.

*In 2025F*, consumption is expected to bounce back to the norm. Additionally, the slow expansion of pangasius supply in 2025F, which may lead to demand-supply imbalance. As a result, pangasius's ASPs will likely enter an up-cycle in 2025F and widening GM of VHC (18.8%, +3.6%p yoy). Therefore, we peg VHC's revenue and NPAT-MI could sit at VND14,903bn (+24% yoy) and VND1,655bn (+36.2% yoy).

**Maintaining a dominant position in the US market.** In the long term, we believe that VHC could continue to maintain a high market share in the U.S. market thanks to (1) Benefiting from the zero anti-dumping tax rate compared to other competitors, and (2) Having established a strong brand name and distribution channels in this market

**Risks of weaker-than-expected demand in key market**, which is likely hinder the recovery momentum of VHC's business results. Particularly, subdued consumption could sustain lower pangasius's ASPs over an extended period, thereby compressing VHC's GM.

### Company overview & Glossary

Vinh Hoan Corporation was established in 1997 in Dong Thap Province. The company specialized in farming, processing and exporting related-pangasius products, Collagen & Gelatin products. Since 2010, VHC has been the leading company in pangasius industry, accounting for 14% of industry shares. The products are available in well-known retail chain and distributing in leading food service companies globally.



## VALUATION & FORECAST

Cost of equity assumption		%	WACC assumption		%
<b>Item</b>			<b>Item</b>		
Beta	1.14		Cost of debt	5.7	
Risk free rate	3.48		Target debt to capital	10	
Equity risk premium	7.8		Tax rate	15	
<b>Cost of equity</b>	<b>12.4</b>		<b>WACC</b>	<b>10.8</b>	

Source: KISVN

Source: KISVN

FCFE summary							VND bn
FCFE	2024F	2025F	2026F	2027F	2028F	2029F	2030F
EBIT(1-tax)	1,259	1,703	1,735	1,950	2,089	1,901	1,754
add: depreciation	404	464	525	593	740	806	832
less: capex	(549)	(881)	(897)	(1,006)	(1,077)	(980)	(386)
(increase) / decrease in NWC	444	(1,013)	100	174	12	139	60
less: bonus & welfare funds	-	-	-	-	-	-	-
add: net borrowing	93	95	(63)	(52)	(2)	(47)	(21)
<b>FCFE</b>	<b>1,651</b>	<b>368</b>	<b>1,400</b>	<b>1,659</b>	<b>1,761</b>	<b>1,819</b>	<b>2,239</b>
PV of FCFE	542	315	1,065	1,123	1,061	976	1,069
<b>Cumulative sum PV of FCFE in 7 years</b>	<b>6,151</b>						
Terminal value	11,747						
<b>FCFE</b>	<b>88,000</b>						

Source: KISVN

FCFF summary							VND bn
FCFF	2024F	2025F	2026F	2027F	2028F	2029F	2030F
EBIT(1-tax)	1,259	1,703	1,735	1,950	2,089	1,901	1,754
add: depreciation	404	464	525	593	740	806	832
less: capex	(549)	(881)	(897)	(1,006)	(1,077)	(980)	(386)
(increase) / decrease in NWC	444	(1,013)	100	174	12	139	60
less: bonus & welfare funds	-	-	-	-	-	-	-
Add: Interest Expenses*(1-t)	114	112	116	117	114	112	111
<b>FCFF</b>	<b>1,673</b>	<b>386</b>	<b>1,579</b>	<b>1,828</b>	<b>1,877</b>	<b>1,978</b>	<b>2,371</b>
PV of FCFF	552	336	1,236	1,283	1,179	1,111	1,189
<b>Cumulative sum PV of FCFF in 7 years</b>	<b>6,886</b>						
Terminal value	14,044						
<b>FCFE</b>	<b>88,900</b>						

Source: KISVN

**Balance sheet**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Current assets	7,640	7,888	8,736	9,806	10,598
Cash & cash equivalent	553	233	1,397	1,323	2,225
Accounts & other receivables	2,330	1,578	2,367	2,943	2,900
Inventory	2,818	3,763	2,610	3,107	3,045
Non-current assets (Adj.)	7,087	7,655	7,338	8,483	8,373
Fixed Asset	2,824	3,383	3,528	3,945	4,317
Investment assets	66	67	67	67	67
Others	1,053	604	690	819	810
<b>Total assets</b>	<b>11,583</b>	<b>11,943</b>	<b>13,021</b>	<b>14,637</b>	<b>15,792</b>
Advances from customers	23	16	20	24	24
Unearned revenue	-	-	-	-	-
Trade payables	448	309	415	516	508
Others	1,014	750	897	1,115	1,099
ST debt & bond	2,214	2,157	2,285	2,415	2,383
LT debt & bond	175	102	67	32	-
<b>Total liabilities</b>	<b>3,889</b>	<b>3,351</b>	<b>3,703</b>	<b>4,126</b>	<b>4,039</b>
Controlling interest	7,523	8,348	9,002	10,097	11,238
Capital stock	1,834	1,870	1,870	1,870	1,870
Capital surplus	264	264	264	264	264
Other Reserves	0	0	0	0	0
Retained earnings	5,426	6,213	6,868	7,963	9,104
Minority interest	171	244	316	414	515
Shareholders' equity	7,694	8,591	9,318	10,511	11,753

**Cash flow**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
C/F from operating	1,604	547	1,796	1,096	2,224
Net profit	2,323	1,145	1,502	2,045	2,103
Depreciation	327	402	404	464	525
Net incr. in W/C	3,064	1,502	1,653	2,468	2,565
C/F from investing	(1,528)	(793)	(164)	(704)	(698)
CAPEX	(1,122)	(672)	(504)	(881)	(897)
Incr. in investment	(407)	(121)	340	177	199
C/F from financing	284	(73)	(468)	(466)	(624)
Incr. in equity	154	57	-	-	-
Incr. in debts	-	(129)	128	130	(31)
Dividends	(367)	-	(560)	(560)	(560)
Others	(2)	(2)	-	-	-
<b>Increase in cash</b>	<b>358</b>	<b>(320)</b>	<b>1,164</b>	<b>(74)</b>	<b>902</b>

**Income statement**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Sales	13,231	10,033	11,985	14,903	14,687
COGS	10,255	8,540	10,169	12,106	11,864
Gross profit	2,976	1,493	1,816	2,798	2,822
SG&A expense	721	524	570	796	784
Operating profit	2,254	969	1,246	2,002	2,038
Financial income	434	377	404	177	199
Interest income	81	117	146	175	197
Financial expense	370	229	196	136	136
Interest expense	97	133	131	136	136
Other non-operating profit	4	27	45	-	-
Gains (Losses) in associates, subsidiaries and JV	0	1	2	2	2
Earnings before tax	2,323	1,145	1,502	2,045	2,103
Income taxes	310	171	215	292	301
Net profit	2,013	974	1,287	1,753	1,803
Net profit of controlling interest	1,975	919	1,215	1,655	1,702
<b>EBITDA</b>	<b>2,712</b>	<b>1,646</b>	<b>2,038</b>	<b>2,645</b>	<b>2,764</b>

**Key financial data**

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
per share data (VND)					
EPS	10,771	4,914	5,422	7,384	7,592
BPS	41,027	44,629	40,165	45,049	50,141
DPS	2,000	1,961	2,500	2,500	2,500
Growth (%)					
Sales growth	46.1	(24.2)	19.5	24.3	(1.5)
OP growth	88.0	(57.0)	28.6	60.6	1.8
NP growth	81.9	(51.6)	32.2	36.2	2.8
EPS growth	79.7	(53.5)	32.2	36.2	2.8
EBITDA growth	88.0	(57.0)	28.6	60.6	1.8
Profitability (%)					
OP margin	17.0	9.7	10.4	13.4	13.9
NP margin	15.2	9.7	10.7	11.8	12.3
EBITDA margin	17.0	9.7	10.4	13.4	13.9
ROA	19.8	8.3	10.3	12.7	11.8
ROE	29.7	11.6	14.0	17.3	16.0
Dividend yield	2.9	2.6	3.4	3.4	3.4
Dividend payout ratio	16	51	33	19	40
Stability					
Net debt (VND bn)	1,835	2,026	955	1,124	158
Int.-bearing debt/equity (%)	24	24	10	11	1
Valuation (X)					
PE	11.1	14.3	12.8	9.4	9.2
PB	1.3	1.7	1.8	1.6	1.5
EV/EBITDA	5.8	14.6	13.3	8.3	8.1

# Nam Viet Corp. (HSX: ANV)

BUY (Initiation), TP VND38,150

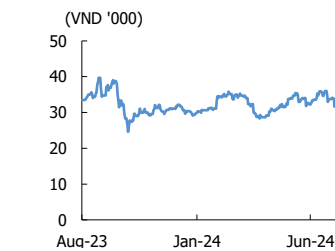
		Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Stock price (30 Aug, VND)	31,900												
Market cap (USD mn)	171												
Shares outstanding (mn)	133												
52W High/Low (VND)	39,700/24,600	2022A	4,897	864	676	5,302	424.0	978	11.1	5.1	1.3	25.9	4.4
6M avg. daily turnover (USD mn)	2.37	2023A	4,439	183	39	293	(94.2)	325	105.6	32.5	1.5	1.4	3.1
Free float (%)	31.3	2024F	4,458	308	192	1,437	390.1	495	22.1	19.0	1.4	6.5	-
Foreign ownership (%)	1.0	2025F	5,147	735	542	4,051	182.0	906	7.8	8.0	1.2	16.4	-
<b>Major shareholders (%)</b>		2026F	5,147	743	559	4,184	3.3	945	7.6	7.9	1.0	14.5	-
Doan Toi	53.9												
Doan Chi Thanh	12.9												
Doan Chi Thien	3.1												

## Awaiting a Wake-up in the Chinese Market

### Performance

	1M	6M	12M
Absolute (%)	(5.9)	(6.9)	(4.6)
Relative to VNIndex (%p)	(9.1)	(9.6)	(11.2)

### Stock price trend



**BUY and TP of VND38,150:** We initiate on ANV for BUY rating in the mid and long-term, with TP at VND38,150 (Upside: +19.6% compared to closing price on 30/08/2024). Our DCF valuation is based on these assumptions (1) a risk-free rate of 3.48%, (2) a beta of 1.4, (3) an equity risk premium of 7.8%, and (4) a terminal growth rate of 2%.

### 2025F – The resurgence of NPAT thanks to an industry-wide growth cycle

As discussed in our industry outlook, we believe that the recovery in consumer demand (including in China, ANV's main market) coupled with a strong rebound in ASPs could occur due to a potential shortage of raw pangasius, with a revenue of VND5,147bn (+15.5% yoy). ANV stands to benefit the most due to its 100% self-sufficiency in raw pangasius, ensuring it meets export demands and maintains stable input costs. We project ANV's GM to reach 20.2% (+7.6%p yoy). NPAT-MI is expected to record VND542bn (+1.82x yoy).

Pangasius exports to China are expected to maintain a high growth rate, driving ANV's long-term growth. Although the company faces intense competition, the established distribution channels in this market enable ANV to maintain its competitive position. In 2023, ANV held approximately 8~9% of the export market share in China.

**Potentially expanding into the US market:** ANV is beginning to re-enter the U.S. market, with the company gradually building its distribution channels and resuming export shipments to US. Notably, in 7M24, ANV exported 3.5 thousand tons (+45% yoy, accounting for 5.5% of the total pangasius export volume to US). In the medium to long term, we believe ANV has the potential to expand its presence in the U.S. market, aided by its low anti-dumping tax rate. However, in the short term, more time is needed to demonstrate effectiveness, as the US market has more stringent quality requirements compared to other traditional markets.

**Risks of being 100% self-sufficient in raw fish supply can be a double-edged sword.** Particularly in the context of declining demand, this may lead to elevated risks associated with increased inventory levels. Additionally, degree of operating leverage (DOL) could negatively impact business performance if the overall industry outlook remains unfavorable

## Company overview & Glossary

Nam Viet (ANV: HSX) is the third largest Vietnam pangasius exporter with value starting from farming, processing and exporting. Nam Viet is focusing on China, ASEAN and EU, which accounts for more than 65% of total export revenue per year. Nam Viet has scaled up quickly its capacity by launching Binh Phu high-tech farming area.

## VALUATION & FORECAST

### Cost of equity assumption

Item	%
Beta	1.40
Risk free rate	3.48
Equity risk premium	7.8
<b>Cost of equity</b>	<b>14.4</b>

Source: KISVN

### WACC assumption

Item	%
Cost of debt	7.13
Target debt to capital	30
Tax rate	15
<b>WACC</b>	<b>11.3</b>

Source: KISVN

### FCFE summary

	VND bn						
FCFE	2024F	2025F	2026F	2027F	2028F	2029F	2030F
EBIT(1-tax)	184	515	522	556	626	652	673
add: depreciation	131	150	169	189	154	176	200
less: capex	(74)	(177)	(179)	(189)	(210)	(218)	(224)
(increase) / decrease in NWC	362	15	(72)	(95)	(82)	(73)	(70)
less: bonus & welfare funds	(0)	(1)	(1)	(1)	(1)	(1)	(1)
add: net borrowing	(242)	(16)	17	41	57	49	47
<b>FCFE</b>	<b>360</b>	<b>486</b>	<b>457</b>	<b>502</b>	<b>544</b>	<b>585</b>	<b>624</b>
PV of FCFE	117	406	333	321	303	285	266
<b>Cumulative sum PV of FCFE in 7 years</b>	<b>2,032</b>						
Terminal value							<b>2,924</b>
<b>FCFE</b>							<b>38,150</b>

### FCFF summary

	VND bn						
FCFF	2024F	2025F	2026F	2027F	2028F	2029F	2030F
EBIT(1-tax)	184	515	522	556	626	652	673
add: depreciation	131	150	169	189	154	176	200
less: capex	(74)	(177)	(179)	(189)	(210)	(218)	(224)
(increase) / decrease in NWC	362	15	(72)	(95)	(82)	(73)	(70)
less: bonus & welfare funds	(0)	(1)	(1)	(1)	(1)	(1)	(1)
add: Interest Expenses*(1-t)	112	109	101	101	102	105	108
<b>FCFF</b>	<b>714</b>	<b>611</b>	<b>541</b>	<b>562</b>	<b>589</b>	<b>641</b>	<b>685</b>
PV of FCFF	234	528	416	384	357	343	324
<b>Cumulative sum PV of FCFF in 7 years</b>	<b>2,586</b>						
Terminal value							<b>4,281</b>
<b>FCFF</b>							<b>38,000</b>

Source: KISVN

**Balance sheet**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Current assets	3,255	2,951	3,021	3,559	4,133
Cash & cash equivalent	31	40	408	927	1,422
Accounts & other receivables	435	369	491	441	454
Inventory	2,333	2,347	1,971	2,027	2,091
Non-current assets (Adj.)	3,224	2,911	2,613	2,632	2,711
Fixed Asset	1,102	1,032	975	1,003	1,013
Investment assets	76	72	72	72	72
Others	1,034	1,058	1,052	1,073	1,077
<b>Total assets</b>	<b>5,467</b>	<b>5,113</b>	<b>5,121</b>	<b>5,707</b>	<b>6,295</b>
Advances from customers	16	10	10	12	12
Unearned revenue	-	1	-	-	-
Trade payables	277	173	245	283	291
Others	356	135	135	156	161
ST debt & bond	1,769	1,784	1,573	1,587	1,635
LT debt & bond	153	145	114	84	53
<b>Total liabilities</b>	<b>2,586</b>	<b>2,265</b>	<b>2,081</b>	<b>2,126</b>	<b>2,156</b>
Controlling interest	2,882	2,848	3,040	3,581	4,139
Capital stock	1,275	1,335	1,335	1,335	1,335
Capital surplus	21	21	21	21	21
Other Reserves	(27)	(28)	(28)	(28)	(28)
Retained earnings	1,613	1,519	1,710	2,251	2,810
Minority interest	-	-	-	-	-
Shareholders' equity	2,882	2,848	3,040	3,581	4,139

**Cash flow**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
C/F from operating	268	(82)	614	676	608
Net profit	776	64	235	637	658
Depreciation	121	115	131	150	169
Net incr. in W/C	988	320	424	870	897
C/F from investing	57	416	(4)	(141)	(130)
CAPEX	(221)	106	(74)	(177)	(179)
Incr. in investment	278	310	70	36	49
C/F from financing	(333)	(326)	(242)	(16)	17
Incr. in equity	-	60	-	-	-
Incr. in debts	-	(40)	(211)	15	48
Dividends	(157)	(219)	-	-	-
Others	(1)	(0)	-	-	-
<b>Increase in cash</b>	<b>(9)</b>	<b>9</b>	<b>369</b>	<b>519</b>	<b>495</b>

**Income statement**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Sales	4,897	4,439	4,458	5,147	5,293
COGS	3,561	3,992	3,838	4,110	4,239
Gross profit	1,336	447	620	1,038	1,054
SG&A expense	472	264	312	302	311
Operating profit	864	183	308	735	743
Financial income	80	32	39	36	49
Interest income	37	12	14	36	49
Financial expense	188	165	97	119	119
Interest expense	105	137	129	119	119
Other non-operating profit	20	18	-	-	-
Gains (Losses) in associates, subsidiaries and JV	-	(4)	(2)	(2)	(2)
Earnings before tax	776	64	235	637	658
Income taxes	100	25	43	96	99
Net profit	676	39	192	542	559
Net profit of controlling interest	676	39	192	542	559
<b>EBITDA</b>	<b>978</b>	<b>325</b>	<b>495</b>	<b>906</b>	<b>945</b>

**Key financial data**

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
per share data (VND)					
EPS	5,302	293	1,437	4,051	4,184
BPS	22,604	21,326	22,763	26,814	30,998
DPS	1,000	1,000	1,600	-	-
Growth (%)					
Sales growth	40.2	(9.4)	0.4	15.5	2.8
OP growth	300.0	(78.8)	68.1	138.6	1.0
NP growth	424.0	(94.2)	390.1	182.0	3.3
EPS growth	424.0	(94.2)	390.1	182.0	3.3
EBITDA growth	300.0	(78.8)	68.1	138.6	1.0
Profitability (%)					
OP margin	17.6	4.1	6.9	14.3	14.0
NP margin	13.8	0.9	4.3	10.5	10.6
EBITDA margin	17.6	4.1	6.9	14.3	14.0
ROA	13.1	0.7	3.8	10.0	9.3
ROE	25.9	1.4	6.5	16.4	14.5
Dividend yield	4.4	3.1	-	-	-
Dividend payout ratio					
Stability					
Net debt (VND bn)	1,891	1,889	1,279	744	266
Int.-bearing debt/equity (%)	66	66	42	21	6
Valuation (X)					
PE	11.1	105.6	22.1	7.8	7.6
PB	1.3	1.5	1.4	1.2	1.0
EV/EBITDA	5.1	32.5	19.0	8.0	7.9

# IDI Corp. (HSX: IDI)

HOLD (Initiation)

		Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Stock price (30 Aug, VND)	9,760												
Market cap (USD mn)	107												
Shares outstanding (mn)	273												
52W High/Low (VND)	12,834/7,867	2022A	7,931	726	563	2,404	300.6	970	11.1	6.8	1.3	17.7	13.8
6M avg. daily turnover (USD mn)	1.08	2023A	7,221	303	73	254	(89.4)	618	35.4	18.4	0.8	1.8	-
Free float (%)	43.4	2024F	7,835	283	83	288	13.3	661	32.1	20.4	0.8	2.0	-
Foreign ownership (%)	1.0	2025F	8,319	472	233	807	180.6	848	11.4	12.2	0.8	5.4	-
<b>Major shareholders (%)</b>		2026F	7,951	468	254	879	8.9	862	10.5	12.3	0.7	5.6	1.9
Sao Mai Corp.	42.7												
Nguyen Thanh Hai	4.4												

## Chinese market is key driver for growth

### Performance

	1M	6M	12M
Absolute (%)	3.3	(8.5)	(15.7)
Relative to VNIndex (%p)	0.1	(11.3)	(22.4)

### Stock price trend



**HOLD and TP of VND11,000:** We initiate on IDI for HOLD rating, with TP at VND11,000. Our DCF valuation is based on these assumptions (1) a risk-free rate of 3.48%, (2) a beta of 1.56, (3) an equity risk premium of 7.8%, and (3) a terminal growth rate of 2%.

**2024F – Growth drivers stem from a recovery in export volumes:** We forecast revenue to reach VND7,835bn (+8.5% yoy). Specifically, the pangasius export segment is expected to contribute approximately VND3,108 billion (+7.3% yoy), with a pangasius volume of 55,400 tons (+9.4% yoy). This growth is primarily driven by Mexico (+30% yoy) and an inch up +4% yoy in exports to China. The rapid growth in volume is partly attributable to an affordable pricing strategy. We project IDI's ASPs to be around USD2/kg (-4.2% yoy). Although ASPs are expected to edge down, the slump in the cost of raw fish inputs has offset this. The GM will likely sit at 10.5% (-0.2%p yoy). NPAT-MI is projected to reach VND64bn (+9% yoy).

**2025F – pangasius could soar thanks to supply-demand dynamics:** We project pangasius volume to reach 22.4 thousand tons (+4.9% yoy) with ASPs of USD2.25/kg (+10.2% yoy). Anticipating a recovery in ASPs due to supply-demand imbalances, we expect the GM for the pangasius segment to improve to 15.8% (+5.3%p yoy), driving NPAT-MI to VND217bn (+2.4x yoy).

**IDI's long-term prospects could face to intense competition:** We view China as the key growth driver for IDI in the medium to long term. However, intense price competition in this market may limit export volume growth.

### Risks to be considered:

**Diversified investments:** During the 2020-23, IDI made several non-core investments, including (1) Rubber plantations (total investment of VND392bn), (2) Solar power (total investment of VND246bn), and (3) the Binh Long project in An Giang (total investment of VND401bn). None of these investments have yet added value to the company. Given the extended implementation period, we are concerned about the efficiency of these projects

**High account receivables to parent enterprise:** Since 2022, IDI's financial statements have included the account receivables from lending to Sao Mai Group - ASM (IDI's parent company) (VND334bn). By the end of 2Q24, this loan had increased to VND530bn

### Company overview & Glossary

International Development and Investment Corporation I.D.I (IDI: HSX), specializes in pangasius breeding, processing, and export, and owns Processing Plant No. 1 with a capacity of 600 tons per day. IDI ranks among Vietnam's top 5 pangasius processors and exporters, with a fish oil refining plant capable of 100 tons per day, and its pangasius farms meet Global GAP, ASC, and BAP standards

## VALUATION & FORECAST

Cost of equity assumption		%	WACC assumption		%
<b>Item</b>			<b>Item</b>		
Beta	1.56		Cost of debt	8.53	
Risk free rate	3.48		Target debt to capital	60	
Equity risk premium	7.8		Tax rate	20.43	
<b>Cost of equity</b>	<b>15.65</b>		<b>WACC</b>	<b>10.3</b>	

Source: KISVN

Source: KISVN

FCFE summary							VND bn
FCFE	2024F	2025F	2026F	2027F	2028F	2029F	2030F
EBIT(1-tax)	76	221	229	260	279	344	374
add: depreciation	180	182	184	163	148	28	31
less: capex	(17)	(29)	(29)	(30)	(32)	(37)	(39)
(increase) / decrease in NWC	217	(377)	287	23	47	(41)	(57)
less: bonus & welfare funds	-	-	-	-	-	-	-
add: net borrowing	(15)	(45)	(256)	(80)	(31)	26	37
<b>FCFE</b>	<b>440</b>	<b>(49)</b>	<b>415</b>	<b>335</b>	<b>411</b>	<b>321</b>	<b>346</b>
PV of FCFE	140	(40)	296	207	219	148	138
<b>Cumulative sum PV of FCFE in 7 years</b>	<b>1,107</b>						
Terminal value							<b>1,029</b>
<b>FCFE</b>	<b>11,400</b>						

Source: KISVN

FCFF summary							VND bn
FCFF	2024F	2025F	2026F	2027F	2028F	2029F	2030F
EBIT(1-tax)	76	221	229	260	279	344	374
add: depreciation	180	182	184	163	148	28	31
less: capex	(17)	(29)	(29)	(30)	(32)	(37)	(39)
(increase) / decrease in NWC	217	(377)	287	23	47	(41)	(57)
less: bonus & welfare funds	-	-	-	-	-	-	-
add: Interest Expenses*(1-t)	300	297	286	273	269	269	271
<b>FCFF</b>	<b>755</b>	<b>293</b>	<b>957</b>	<b>689</b>	<b>712</b>	<b>564</b>	<b>580</b>
PV of FCFF	4,549						
<b>Cumulative sum PV of FCFF in 7 years</b>	<b>2,784</b>						
Terminal value							<b>3,529</b>
<b>FCFF</b>	<b>10,600</b>						

Source: KISVN

**Balance sheet**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Current assets	5,450	5,537	5,725	6,045	6,163
Cash & cash equivalent	641	1,112	763	762	1,125
Accounts & other receivables	2,550	2,151	2,632	2,690	2,523
Inventory	1,535	1,572	1,377	1,637	1,561
Non-current assets (Adj.)	4,809	4,425	4,962	5,283	5,039
Fixed Asset	1,000	909	756	612	465
Investment assets	113	249	249	249	249
Others	1,521	1,582	1,638	1,680	1,633
<b>Total assets</b>	<b>8,084</b>	<b>8,277</b>	<b>8,368</b>	<b>8,585</b>	<b>8,510</b>
Advances from customers	140	109	109	116	110
Unearned revenue	0	-	-	-	-
Trade payables	375	216	228	242	232
Others	128	115	124	132	126
ST debt & bond	3,881	4,090	4,129	4,150	3,959
LT debt & bond	193	326	272	207	142
<b>Total liabilities</b>	<b>4,718</b>	<b>4,856</b>	<b>4,863</b>	<b>4,847</b>	<b>4,569</b>
Controlling interest	3,195	3,248	3,313	3,497	3,646
Capital stock	2,276	2,276	2,322	2,322	2,322
Capital surplus	17	17	17	17	17
Other Reserves	280	296	296	296	296
Retained earnings	621	658	678	862	1,011
Minority interest	172	174	192	241	295
Shareholders' equity	3,366	3,422	3,505	3,738	3,941

**Cash flow**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
C/F from operating	530	173	(257)	(123)	485
Net profit	618	107	104	293	319
Depreciation	119	149	180	182	184
Net incr. in W/C	840	425	460	652	649
C/F from investing	(59)	(41)	(68)	167	184
CAPEX	30	(4)	(19)	(31)	(30)
Incr. in investment	(89)	(37)	(49)	198	215
C/F from financing	(223)	340	(15)	(45)	(307)
Incr. in equity	-	-	46	-	-
Incr. in debts	-	209	39	20	(191)
Dividends	(333)	(8)	(46)	-	(51)
Others	4	(0)	-	-	-
<b>Increase in cash</b>	<b>253</b>	<b>472</b>	<b>(340)</b>	<b>(1)</b>	<b>363</b>

**Income statement**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Sales	7,931	7,221	7,835	8,319	7,951
COGS	6,836	6,697	7,275	7,571	7,220
Gross profit	1,095	525	560	747	731
SG&A expense	369	222	278	275	263
Operating profit	726	303	283	472	468
Financial income	167	218	203	198	215
Interest income	125	143	159	155	171
Financial expense	308	412	379	375	362
Interest expense	233	362	377	373	359
Other non-operating profit	32	(2)	(2)	(2)	(2)
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-
Earnings before tax	618	107	104	293	319
Income taxes	55	34	21	60	65
Net profit	563	73	83	233	254
Net profit of controlling interest	547	58	65	184	200
<b>EBITDA</b>	<b>970</b>	<b>618</b>	<b>661</b>	<b>848</b>	<b>862</b>

**Key financial data**

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
per share data (VND)					
EPS	2,404	254	288	807	879
BPS	14,033	14,266	14,553	15,360	16,016
DPS	1,500	1,500	-	-	-
Growth (%)					
Sales growth	38.7	(8.9)	8.5	6.2	(4.4)
OP growth	141.7	(58.3)	(6.7)	67.1	(1.0)
NP growth	293.0	(87.0)	13.3	180.6	8.9
EPS growth	300.6	(89.4)	13.3	180.6	8.9
EBITDA growth	141.7	(58.3)	(6.7)	67.1	(1.0)
Profitability (%)					
OP margin	9.2	4.2	3.6	5.7	5.9
NP margin	7.1	1.0	1.1	2.8	3.2
EBITDA margin	9.2	4.2	3.6	5.7	5.9
ROA	7.2	0.9	1.0	2.8	3.0
ROE	17.7	1.8	2.0	5.4	5.6
Dividend yield	13.8	-	-	-	1.9
Dividend payout ratio	61	-	-	-	20
Stability					
Net debt (VND bn)	3,434	3,304	3,639	3,595	2,976
Int.-bearing debt/equity (%)	102	97	104	96	76
Valuation (X)					
PE	11.1	35.4	32.1	11.4	10.5
PB	1.3	0.8	0.8	0.8	0.7
EV/EBITDA	6.8	18.4	20.4	12.2	12.3



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